



MARK PESTRELLA, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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ALHAMBRA, CALIFORNIA 91803-1331
Telephone: (626) 458-5100
<http://dpw.lacounty.gov>

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

IN REPLY PLEASE
REFER TO FILE:

December 18, 2018

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

50 December 18, 2018

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

A handwritten signature in black ink, appearing to read "Celia Zavala".

CELIA ZAVALA
EXECUTIVE OFFICER

Dear Supervisors:

REVISED

**WATER RESOURCES CORE SERVICE AREA
FUNDING AUTHORIZATION OF STAFF AND OPERATIONAL COSTS
FOR PUBLIC WORKS
SERVING AS THE INTERIM ADMINISTRATOR
FOR THE SATIVA LOS ANGELES COUNTY WATER DISTRICT AND
APPROVE APPROPRIATION ADJUSTMENT; ADOPTION OF TAX TRANSFER
RESOLUTION
(SUPERVISORIAL DISTRICT 2)
(3 VOTES)**

SUBJECT

Public Works is seeking Board approval to authorize the Director of Public Works or his designee to approve various actions necessary to fund the staffing, operational, and urgent infrastructure repair costs for the County of Los Angeles to provide Interim Administration of the Sativa Los Angeles County Water District through June 30, 2019, and for the Board to approve a tax transfer resolution as a precondition to the Local Agency Formation Commission for the County of Los Angeles's consideration of dissolution of the Sativa Los Angeles County Water District.

IT IS RECOMMENDED THAT THE BOARD ACTING ON BEHALF OF THE COUNTY AND THE SATIVA LOS ANGELES COUNTY WATER DISTRICT:

1. Find that the proposed actions are either not a project or exempt under the California Environmental Quality Act for the reasons stated in this letter and in the record of the proposed activities.

2. Find that the provision of funds to the Sativa Los Angeles County Water District to keep the water system operational is necessary to meet the social needs of the population of the County.
3. Authorize the Director of Public Works or his designee, on behalf of and in administration of Sativa Los Angeles County Water District, to negotiate and enter into a loan agreement with the County of Los Angeles, related to the administration, operation, and repairs to the infrastructure of the Water District, up to an amount not to exceed \$1.4 million.
4. Approve the Fiscal Year 2018-19 Appropriation Adjustment that establishes a \$1,400,000 General Fund Non-spendable Long Term Loans Receivable for Sativa Water District by transferring \$1.4 million from the Provisional Financing Uses budget unit for loans to be made available to Sativa Water District on a draw down basis via the terms of the loan agreement.
5. Authorize the Director of Public Works or his designee to take any other actions consistent with and/or necessary for the implementation of the foregoing approvals.
6. Adopt the Property Tax Transfer Resolution approving and accepting negotiations that there will be no exchange of property tax revenue from the proposed dissolution of the Sativa Los Angeles County Water District that will be considered by the Local Agency Formation Commission for the County of Los Angeles.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions is expected to allow the Department of Public Works (Public Works), functioning as the Interim Administrator of the Sativa Los Angeles County Water District (Sativa), to keep Sativa operational, barring unforeseen situations, funding through June 2019.

Adoption of the enclosed tax transfer resolution is a precondition to the Local Agency Formation Commission for the County of Los Angeles' (LAFCO) consideration of the dissolution of Sativa. As Sativa does not currently receive any property taxes, no property taxes will be transferred as a result of the dissolution.

Background

Sativa is a community public water system serving approximately 6,837 persons through 1,306 service connections in the Willowbrook and Compton communities. Sativa operates its water system under Domestic Water Supply Permit No. 04-22-12P-009,

issued by the State Water Resources Control Board (State Water Board) on August 30, 2012.

The State Water Board has issued numerous citations, taken administrative actions, and made other negative findings relative to Sativa related to the operation and condition of the Sativa water system.

On September 28, 2018, the California State Legislature authorized the State Water Board, pursuant to Assembly Bill 1577, to order Sativa to accept administrative and managerial services, including full management and control, from an Interim Administrator selected by the State Water Board.

On October 9, 2018, the Board adopted a Resolution approving the appointment of, and delegating authority to, the Director of Public Works to act as Interim Administrator for Sativa. The State has granted \$200,000 to reimburse the County for the cost of providing interim administration to Sativa.

On October 31, 2018, the State Water Board issued an Administrative Order, which dissolved Sativa's Board of Directors and appointed Los Angeles County as the Interim Administrator of Sativa.

Immediately after being appointed Interim Administrator, Public Works undertook an assessment of Sativa's financial position and the condition of the Sativa infrastructure. Based on this initial assessment, Public Works estimates the cost to the County to provide Interim Administration of Sativa and to address Sativa's most critical water service issues through June 30, 2019, to be approximately \$1.4 million above and beyond the \$200,000 in available State funds and the revenue generated by the district through service charges. This estimate includes:

- Urgent repairs to Sativa's water system infrastructure;
- Addressing safety issues;
- Professional oversight of Sativa's field personnel;
- Addressing Sativa's past due, current, and upcoming bills;
- Reconstructing Sativa's accounting records;
- Developing proper accounting control procedures;
- Professional oversight of Sativa's procurement and accounting activities;
- A thorough financial audit;
- Information technology support; and
- Legal services.

Public Works will provide the services above in collaboration with Auditor-Controller, County Counsel, and contract vendors.

To the extent feasible, Sativa's revenues and the State funds will be used to fund the County's operation of Sativa prior to utilizing County funds, which will be provided in the form of a loan from the County to Sativa. The terms of the loan will be negotiated by Public Works and will include Sativa's obligation to repay the County loan. Sativa is not obligated to reimburse the State for the \$200,000 in State funds.

Implementation of Strategic Plan Goals

The County Strategic Plan directs the provisions of Strategy II.2, Support the Wellness of our Communities and Objective II.2.3, Prioritize Environmental Health Oversight and Monitoring. The recommended action improves the wellness and social well-being of our communities.

FISCAL IMPACT/FINANCING

The State has allocated \$200,000 to reimburse the County for the cost of providing interim administration to Sativa. To the extent feasible, these funds, and Sativa's revenues, will be utilized first to provide administrative and operational services.

Upon approval, an appropriation adjustment will transfer \$1.4 million for a loan from the Provisional Financing Uses budget unit to establish a General Fund Non-spendable Long Term Loans Receivable to fund expenses related to the operations and repairs to the infrastructure of the Sativa Los Angeles County Water District through June 2019.

Sativa will be obligated to repay any funds loaned by the County.

Public Works will return to your Board if additional funding is necessary.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On September 28, 2018, Governor Brown signed into law Assembly Bill 1577. This bill required the State Water Board to order Sativa to accept administrative and managerial services from an administrator selected by the State Water Board.

On October 9, 2018, your Board adopted a Resolution approving the appointment of, and delegating authority to, the Director of Public Works to act as Interim Administrator for Sativa.

On October 31, 2018, the State Water Board issued an Administrative Order, which dissolved Sativa's Board of Directors and appointed Los Angeles County Public Works as the Interim Administrator of Sativa.

Pursuant to Government Code section 26227, the County may provide funds from the County General Fund to Sativa in the form of a loan because it will serve public purposes and is necessary to meet the social needs of the population of the County, including but not limited to health, public safety, and welfare.

Pursuant to the Water Code sections 31001 and 31007, Sativa may accept funds from the County in the form of a loan for the purposes delineated above.

On July 11, 2018, LAFCO initiated a proposed dissolution of Sativa, and intends to consider the proposed dissolution at a noticed public hearing on February 13, 2019. Section 99 of the Revenue and Taxation Code requires the adoption of a tax transfer resolution as a precondition to LAFCO's consideration of the dissolution of Sativa, and it authorizes the County to act on behalf of the district in adopting the resolution. As Sativa does not currently receive any property taxes for the provision of water services, no property taxes will be transferred as a result of the dissolution.

ENVIRONMENTAL DOCUMENTATION

The proposed ~~recommended staffing and operational~~ actions, including their funding, are not a project pursuant to the California Environmental Quality Act (CEQA) because they are activities that are excluded from the definition of a project by section 21065 of the Public Resources Code and sections 15378 (b)(2), (4) and (5) of the State CEQA Guidelines which apply to continuing administrative activities, the creation of a government funding mechanism, or other government fiscal activities, that do not involve commitment to any specific project that may result in a potentially significant physical impact on the environment and administrative activities of government that will not result in direct or indirect physical changes in the environment.

The proposed work for the repair of Sativa's infrastructure is categorically exempt under section 15301 (a),(b),(d) and (f) and Class 2 of the State CEQA Guidelines and Classes 1(c,d,e) and (i) and 2 of the County's Environmental Document Reporting Procedures and Guidelines, Appendix G , which apply to restoration and rehabilitation of deteriorated or damaged mechanical equipment, installation of safety equipment at existing facilities and replacement of equipment that will have the same purpose and capacity. The Sativa water system infrastructure repair projects are primarily anticipated to consist of the following types of activities: repairs to existing infrastructure, installation of equipment, and notification systems and maintenance. In addition, based on the records of the proposed projects, they will comply with all applicable regulations, are not located in sensitive environments, and there are no cumulative impacts, unusual circumstances, damage to scenic highways, listing on hazardous waste sites pursuant to Government Code section 65962.5, or indications that they may cause a substantial adverse change in the significance of historical resources that would make the exemption inapplicable.

The Honorable Board of Supervisors
December 18, 2018
Page 6

For any proposed activities that are not determined to be exempt under CEQA as noted above, Public Works will make necessary recommendations for additional CEQA findings to the Board prior to commencing work.

Upon the Board's approval of the recommended actions, Public Works will file a Notice of Exemption with the County Clerk in accordance with section 21152 of the Public Resources Code.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no adverse impact on current services.

CONCLUSION

Please return an adopted copy of this letter to Public Works, Stormwater Planning Division.

Respectfully submitted,



MARK PESTRELLA
Director of Public Works

Enclosure

DL:KL:ts

c: Chief Executive Office (Chia-Ann Yen)
County Counsel (Mark Yanai)
Executive Office

PINK

BA FORM 03/13

BOARD OF
SUPERVISORS
OFFICIAL COPY

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPARTMENT OF CHIEF EXECUTIVE OFFICER

DEPT'S.
NO. 690

December 18, 2018

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2018-19

3 - VOTES

SOURCES

PFU-VARIOUS
A01-CB-2000-13749-13760
SERVICES & SUPPLIES
DECREASE APPROPRIATION

\$1,400,000

USES

GENERAL FUND
A01-303J
NONSPENDABLE FOR LT LOANS RECEIVABLE - SATIVA CWD
INCREASE OBLIGATED FUND BALANCE \$1,400,000

SOURCES TOTAL: \$

\$1,400,000

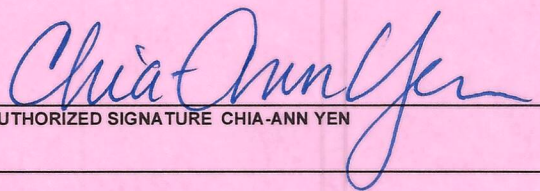
USES TOTAL: \$

\$1,400,000

JUSTIFICATION

Loan for Sativa Los Angeles County Water District in an amount not to exceed \$1,400,000 for the interim administration, operation, and repair of infrastructure.


ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

 AUTHORIZED SIGNATURE CHIA-ANN YEN

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

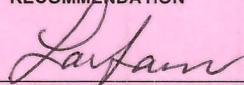
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DEC 18 2018


 CELIA ZAVALA
 EXECUTIVE OFFICER
REFERRED TO THE CHIEF
EXECUTIVE OFFICER FOR ---☐ ACTION☒ RECOMMENDATION

AUDITOR-CONTROLLER

BY



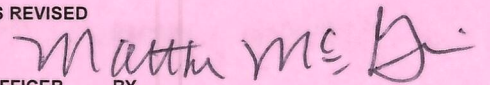
B.A. NO. 085

Dec. 10 20 18

☒ APPROVED AS REQUESTED☐ APPROVED AS REVISED

CHIEF EXECUTIVE OFFICER

BY



Dec. 10 20 18

**A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES, CALIFORNIA
APPROVING AND ACCEPTING NEGOTIATIONS
THAT THERE WILL BE NO EXCHANGE OF PROPERTY TAX REVENUES FROM
DISSOLUTION NO. 2018-09 FOR THE SATIVA
COUNTY WATER DISTRICT**

WHEREAS, pursuant to Section 99 of the Revenue and Taxation Code, prior to the effective date of and jurisdictional change, the governing bodies of all agencies whose service areas or service responsibilities would be altered by such change must determine the amount of property tax revenues to be exchanged between the affected agencies and approve and accept the negotiated exchange of property tax revenue by resolution; and

WHEREAS, the Board of Supervisors of the County of Los Angeles is required to negotiate any exchange of property tax revenues on behalf of special districts located within the County; and

WHEREAS, the Board of Supervisors, acting on behalf of the County of Los Angeles and the Sativa Los Angeles County Water District, has determined the amount of property tax revenues to be exchanged as a result of Dissolution No. 2018-09 for the Sativa County Water District.

NOW, THEREFORE, BE IT RESOLVED, as follows:

1. The negotiated exchange of property tax revenues resulting from Dissolution No. 2018-09 for the Sativa County Water District is approved and accepted.
2. For fiscal years commencing on and after July 1, 2019, no transfer of property tax revenues shall be made as a result of this action.

The foregoing resolution was adopted on the 18th day of DECEMBER, 2018,
by the Board of Supervisors of the County of Los Angeles.



APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By _____

Deputy

CELIA ZAVALA
Executive Officer of the
Board of Supervisors of the
County of Los Angeles

By _____

Deputy

LOAN AGREEMENT

by and between

COUNTY OF LOS ANGELES,
as the Lender,

and

SATIVA LOS ANGELES COUNTY WATER DISTRICT
as the Borrower

Dated as of January 11, 2019

78888

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of January 11, 2019, is by and between the County of Los Angeles, a body corporate and politic (the "Lender"), and Sativa Los Angeles County Water District ("Sativa"), a California Special District existing under the laws of the State of California (the "Borrower").

WITNESSETH:

WHEREAS, pursuant to section 26227 of the Government Code of the State of California (the "State"), the Board of Supervisors of the Lender may appropriate and expend money from the general fund of the Lender to fund programs deemed by the Board of Supervisors to be necessary to meet the social needs of the population of the County of Los Angeles, including in the areas of public health; and

WHEREAS, the Lender has agreed to provide the Borrower with certain financial assistance in the form of a Loan for the purpose of keeping Sativa's water system operational as is necessary to protect the public health of the population of the County served by Sativa; and

WHEREAS, the Lender is willing to provide, and the Borrower desires to obtain, a Loan upon the terms and subject to the conditions set forth below; and

WHEREAS, this Agreement, the promissory note to be executed by the Borrower hereunder and the related documents to be delivered by the Borrower hereunder constitute the "Loan Documents"; and

WHEREAS, all obligations of the Borrower to pay all amounts payable to the Lender arising under or pursuant to this Agreement or the Note are created under and will be evidenced by this Agreement and such Note all in accordance with the terms and conditions hereof.

NOW, THEREFORE, in consideration of the payments to be made hereunder and the mutual covenants contained herein, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 **Definitions.** The following terms used herein will have the meanings indicated below unless the context clearly requires otherwise.

"*Agreement*" means this Loan Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"*Board of Supervisors*" means the Board of Supervisors of the County of Los Angeles.

"Borrower" means (i) the entity identified above as such in the first paragraph of this Agreement; (ii) any surviving, resulting or transferee entity thereof permitted pursuant to the terms of this Agreement; and (iii) except where the context requires otherwise, any assignee(s) of the Borrower permitted pursuant to the terms of this Agreement.

"Borrower Representative" means the Administrator of Sativa appointed by the State pursuant to State Health and Safety Code section 116687(b) and any alternate or successor appointed by the Borrower with notice to the Lender.

"Business Day" means any day other than a Saturday or Sunday on which banks are authorized or required to be open in the State of California.

"County" means the County of Los Angeles, California.

"County Auditor-Controller" means the Auditor-Controller of the County.

"County Treasurer and Tax Collector" means the Treasurer and Tax Collector of the County.

"Default" means an event that, with giving of notice or passage of time or both, would constitute an Event of Default as provided in Article VII hereof.

"Effective Date" means the effective date of this Agreement as set forth on the first page hereof.

"Governmental Authority" means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, service, district or other instrumentality of any governmental entity.

"Interest Rate" means an interest rate calculated twice a year on each Interest Rate Determination Date by averaging the Restricted Interest Rate (Los Angeles County Pooled Surplus Investment Portfolio Earnings Rate less Treasury Management Expense), also known as the Interest Allocation Rate, as reported monthly by the County Auditor-Controller, for each of the three months immediately preceding each Interest Rate Determination Date. The interest rate may vary from period to period.

"Interest Rate Determination Date" means the date on which the County Treasurer and Tax Collector will determine the Interest Rate applicable to the semi-annual payment period commencing on the next succeeding Payment Date. The Interest Rate Determination Date for the March 30 interest payment amount will be February 1, and the Interest Rate Determination Date for the September 30 interest payment amount will be August 1.

"Laws" means all federal, state and local laws, statutes, rules, ordinances, regulations, codes, licenses, authorizations, decisions, injunctions, interpretations, orders or decrees of any court or other Governmental Authority having jurisdiction as may be in effect from time to time.

"*Lender*" means (i) the County; (ii) any surviving, resulting or transferee corporation of the County; and (iii) if this Agreement has been assigned by the Lender pursuant to Article VI hereof, such assignee.

"*Loan*" means the loan from the Lender to the Borrower pursuant to the terms of this Agreement.

"*Loan Documents*" means this Agreement and the Note.

"*Maturity Date*" means March 30, 2049.

"*Note*" means the promissory note of the Borrower in the aggregate principal amount of \$1,400,000 in the form attached hereto as Exhibit A.

"*Payments*" means those scheduled payments payable by the Borrower pursuant to the provisions of this Agreement with respect to principal of and interest on the Note. Payments shall be payable by the Borrower directly to the Lender in the amounts and at the times set forth in Section 3.03.

"*Payment Date*" means the date on which each Payment is due and payable, commencing September 30, 2019, and continuing through the Term of the Agreement on each March 30 and September 30.

"*Person*" means an individual, corporation, partnership, joint venture, association, estate, joint stock company, trust, organization, business or a government or agency or political subdivision thereof.

"*State*" means the State of California as set forth in the recitals to this Agreement.

"*Term*" means the time during which this Agreement is in effect, as provided in Section 3.05.

ARTICLE II

REPRESENTATIONS, WARRANTIES, AND COVENANTS OF THE LENDER AND THE BORROWER

Section 2.01 ***Representations and Warranties of the Lender.*** The Lender represents and warrants, for the benefit of the Borrower, that the Lender has the full power and authority to enter into, to execute, and to deliver this Agreement, and to perform all of its duties and obligations hereunder, and has duly authorized the execution and delivery of this Agreement. The Lender further represents and warrants, for the benefit of the Borrower, that the Lender has the full power and authority to accept the Note from the Borrower.

Section 2.02 ***Representations, Warranties and Covenants of the Borrower.*** The Borrower represents, warrants and covenants, for the benefit of the Lender as follows:

(a) The Borrower is a validly existing special district under the laws of the State. The Borrower has full legal right, power and authority to enter into the Loan Documents and to carry out and consummate all transactions contemplated thereby, and it has, by proper action, duly authorized the execution and delivery of the Loan Documents and has approved the issuance of the Note. When executed and delivered, the Loan Documents will be valid and binding agreements of the Borrower, enforceable in accordance with their respective terms, subject to insolvency Laws affecting creditors' rights generally and to general principles of equity.

(b) So long as the Note is outstanding, except as otherwise permitted by this Agreement, the Loan shall be used by the Borrower for the sole purpose of funding expenses related to the administration, operation, and infrastructure repairs of Sativa in order that Borrower may provide potable water to its customers within its service area.

ARTICLE III

USE OF LOAN AND TERMS OF THE LOAN AND NOTE

Section 3.01 *Use of Loan.* The Loan shall be used by Borrower for the purpose of funding expenses related to the administration, operation, and infrastructure repairs of Sativa in order that Borrower may perform services related to the provision of potable water to its customers within its service area, consistent with the permissible scope of the Borrower's authority.

Section 3.02 *Loan.* The Lender hereby agrees, subject to the terms and conditions of this Agreement, to loan an aggregate amount of \$1,400,000 to the Borrower, which amount will be deposited by the Lender one Business Day after the Effective Date with the Borrower.

Section 3.03 *The Note; Interest Rate on the Note; Principal and Interest Payments.*

(a) The Loan shall be evidenced by the Note in substantially the form set forth in Exhibit A hereto, payable to the Lender.

(b) The Loan shall bear interest at the Interest Rate determined on each Interest Rate Determination Date. Principal payments will be based on equal installments. Payment of the principal of and interest on the Note shall be made by the Borrower on March 30th and September 30th of each year (each such date being a "Payment Date"), commencing the September 30th following the Effective Date, and ending on the earlier of the Maturity Date or upon earlier demand in accordance with the terms hereof or prepayment in accordance with Section 3.08 hereof.

Section 3.04 *Payments.* The Borrower shall pay to the Lender Payments in the amounts and on the dates set forth in this Agreement. Such Payments shall be made by the Borrower directly to the Lender without the requirement of notice or demand and shall be credited against the Borrower's payment obligations under this Agreement. The Borrower shall make all Payments required to be made hereunder to a bank account designated by the County Treasurer and Tax Collector, via same day Federal Reserve wire.

Section 3.05 ***Term.*** The Term of this Agreement shall commence on the Effective Date, and shall end on the earlier of the Maturity Date or the date on which the Borrower shall have repaid the Note in full.

Section 3.06 ***Payment on Non-Business Days.*** Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day such payment may be made on the next succeeding Business Day.

Section 3.07 ***Payments to be Unconditional.*** The Borrower covenants and agrees to pay or cause to be paid all sums necessary for the payment of principal of and interest on the Note owing under this Agreement. The obligations of the Borrower to make Payments required under this Agreement and to perform and observe the covenants and agreements contained herein shall be absolute and unconditional in all events, without abatement, diminution, deduction, setoff or defense for any reason. Notwithstanding any dispute between the Borrower and the Lender or any other person, the Borrower shall make all Payments when due and shall not withhold any Payments pending final resolution of such dispute, nor shall the Borrower assert any right of setoff or counterclaim against its obligations to make such payments required under this Agreement.

Section 3.08 ***Optional Prepayments; Mandatory Prepayments.***

(a) The Borrower may, in its discretion, upon at least five (5) Business Days' prior written notice to the Lender, optionally prepay the Loan and the Note, in whole or in part, at any time, without penalty or premium, by paying a prepayment price equal to the principal amount thereof, plus accrued interest, and any outstanding and unpaid Payments under this Agreement. In order to exercise this prepayment option, the Borrower must be current on all Payments due under the Loan Documents.

(b) The Borrower shall prepay the Note in full after the occurrence of an Event of Default within thirty (30) days of demand by the Lender by paying a prepayment price equal to the principal amount thereof, plus accrued interest. Notwithstanding the foregoing sentence, prior to an Event of Default as described in Section 7.01(f), the Borrower shall cause the Note to be prepaid in full without demand by the Lender.

(c) Upon any prepayment, in part, of the Loan and the Note pursuant to this Section 3.08, the prepayment shall be applied first to interest accrued on the Note and next to the principal component of the Payments pro rata to each remaining installment.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.01 ***Conditions Precedent to Effectiveness of Agreement.*** The Lender's execution of this Agreement and acceptance of the Note shall be subject to the condition precedent that the Lender shall have received all of the following, each in form and substance satisfactory to the Lender:

- (a) This Agreement properly executed on behalf of the parties thereto; and
- (b) The Note properly executed on behalf of the Borrower.

ARTICLE V

COVENANTS OF BORROWER

Section 5.01 *Covenants as to Corporate Existence, Use and Maintenance of Property by the Borrower, Etc.* The Borrower hereby covenants:

(a) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable Laws and to duly observe and conform to all valid orders, regulations or requirements of any Governmental Authority relative to the conduct of its business and the ownership of its property; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such Laws, so long as the validity thereof or the applicability thereof to it shall be contested in good faith; provided, however, that no such contest shall either (i) have a material adverse effect on the Borrower during the period of such challenge or (ii) subject the Lender to the risk of any liability, and, in any event, that the Borrower shall indemnify the Lender to its satisfaction against any liability resulting from such contest.

(b) At all times to comply with all material terms, covenants and provisions of any liens at such time existing upon its property or any part thereof or securing any of its indebtedness; provided, however, that it shall have the right to contest in good faith any such terms, covenants or provisions and pending such contest may delay or defer compliance therewith; provided, however, that no such contest shall subject the Lender to the risk of any liability, and, in any event, that the Borrower shall indemnify the Lender to their satisfaction against any liability resulting from such contest.

(c) On the date on which the Borrower becomes subject to the provisions of this Agreement and at all times thereafter, to consent to the jurisdiction of the courts of the County for causes of action arising solely under the terms of this Agreement.

(d) To hold and use the proceeds of the Loan as described herein so long as the principal of and interest on the Note have not been fully paid and retired and all other conditions of this Agreement have not been satisfied.

(e) To satisfy its obligation to make Payments hereunder from any moneys available, to the extent permitted by Law.

(f) To cooperate fully with the Lender with respect to any proceedings before any court, board or Governmental Authority which may in any way affect the rights of the Lender hereunder and other instruments executed and delivered by the Borrower executed in connection herewith, and permit the Lender, at its election, to participate in any such proceedings.

(g) To not directly or indirectly, create, incur, assume or suffer to exist any mortgage, deed of trust, pledge, lien, charge, encumbrance or claim on or with respect to any real property or personal property of any kind now or hereafter owned by the Borrower, including but not limited to, Borrower's 474 acre feet per year of groundwater rights, Borrower's real estate located at 2015 East Hatchway Street Compton, CA 90222, other real property of the Borrower, and all wells, pumps, waterlines, and all other water facilities of the Borrower, except as approved by the Lender in Lender's sole and absolute discretion. Borrower will cooperate with Lender to secure Lender's interest in said real and personal property, including any actions required by Law.

Section 5.02 *Books and Records; Reporting Requirements; Inspection and Examination.* Borrower will keep accurate books of record and account for itself pertaining to the Borrower's business and financial condition, including expenditures of proceeds of the Loan, and such other matters as the Lender may from time to time request in accordance with generally accepted accounting principles consistently applied. The Borrower will deliver to the Lender annual financial statements prepared in conformity with generally accepted accounting principles within 120 days after the end of each fiscal year of the Borrower and such additional records, reports and information as the Lender may reasonably request from time to time. In connection with the monitoring of the Borrower's performance under this Agreement, Borrower shall permit, following reasonable advance notice from the Lender, any officer, employee, attorney or accountant for the Lender to audit and review any and all corporate and financial books and records of the Borrower at all times during ordinary business hours, and to discuss the affairs of Borrower with any of its directors, officers, employees or agents.

Section 5.03 *Consolidation, Merger, Transfer or Sale of Assets.* During the term of the Loan, the Borrower will not consolidate with or merge into any Person, or permit any other Person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all of the assets of any other Person without the prior written consent of the Lender in Lender's sole and absolute discretion. Further, during the term of the Loan, the Borrower shall not sell or transfer, in whole or in part, its assets, including but not limited to its groundwater rights, real property, facilities or improvements, without the prior written consent of the Lender in the Lender's sole and absolute discretion. Borrower hereby agrees that Lender may condition such consent to consolidation, merger, transfer or sale, by acceleration of the Payments, in whole or in part, in accordance with Section 7.02(a), at Lender's sole and absolute discretion.

ARTICLE VI

ASSIGNMENT AND SELLING

Section 6.01 *Assignment by the Lender.* The Loan Documents and the right to receive Payments from the Borrower thereunder, may be assigned and reassigned, in whole or in part to one or more assignees or subassignees by the Lender at any time subsequent to its execution, without the necessity of obtaining the consent of the Borrower; provided, however, that no such assignment or reassignment shall be effective and binding on the Borrower unless and until the Borrower shall have received notice of the assignment or reassignment disclosing the name and address of the assignee or subassignee.

Section 6.02 ***Assignment by the Borrower.*** This Agreement shall not be assumed, assigned or encumbered by the Borrower without the prior written consent of the Lender at Lender's sole and absolute discretion.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01 ***Events of Default.*** The following constitute "Events of Default" under this Agreement:

- (a) failure by the Borrower to pay to the Lender when due any Payment within five (5) Business Days of when such amount is due; or
- (b) failure of the Borrower to observe and perform any covenant, condition or agreement to be observed or performed hereunder, or failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Loan Documents, in each case for a period of thirty (30) days after written notice is given to the Borrower by the Lender, specifying such failure and requesting that it be remedied; or
- (c) the Borrower sells, assigns, or otherwise transfers or encumbers all or any part of its interest in this Agreement without the prior written consent of the Lender; or
- (d) the occurrence of a default on any other instrument, agreement or document between the Borrower and the Lender; or
- (e) a final, non-appealable monetary judgment is issued against the Borrower in an amount in excess of the Borrower's liability insurance and such judgment is not paid by the Borrower within thirty (30) days thereafter; or
- (f) the Borrower terminates its existence or merges or consolidates with another entity, other than as permitted by this Agreement.

Section 7.02 ***Remedies on Default.*** Whenever any Event of Default shall have occurred and be continuing, the Lender shall have the right, at its sole option without any further demand or notice, to take any one or any combination of the following remedial actions which are accorded to the Lender by applicable Law:

- (a) by notice to the Borrower, (i) declare the entire unpaid principal amount of the Loan then outstanding, all interest accrued and unpaid thereon and all amounts payable under this Agreement to be forthwith due and payable, whereupon all such unpaid principal, all such accrued and unpaid interest and all such other amounts shall become and be forthwith due and payable no later than thirty (30) days following the date of the notice, without presentment, notice of dishonor, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower;

(b) to take possession of the Borrower's assets wherever situated without any court order or other process of Law and without liability for entering the premises and sell any or all of the Borrower's real and personal property at a public or private sale, or otherwise dispose of, or hold, use, operate, lease or sublease to others or keep, free and clear of any rights of the Borrower; provided that any and all such actions be taken in a commercially reasonable manner, all proceeds from such sale, use, operation, lease or other disposition will be applied to Lender's expenses and fees of collection first, unpaid interest on the Loan second, and outstanding principal of the Loan third. Any proceeds from a sale that exceed the outstanding principal, interest, collection costs, and other relevant expenses or costs, including attorneys' fees, shall be provided to Borrower within thirty (30) days of sale; and

(c) proceed by appropriate court action to enforce performance by the Borrower of the applicable covenants of this Agreement or to recover for the breach thereof, including the payment of all amounts due from the Borrower, in which event the Borrower shall pay or repay to the Lender all costs of such action or court action including without limitation, reasonable attorneys' fees and expenses.

Notwithstanding any other remedy exercised hereunder, the Borrower shall remain obligated to pay to the Lender any unpaid Payments which are or become due and payable.

Section 7.03 ***No Remedy Exclusive.*** No remedy herein conferred upon or reserved to the Lender is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at Law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lender to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as maybe required by this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 ***Additional Expenses.*** The Borrower shall pay to the Lender the following Additional Expenses hereunder, in addition to the Payments payable by the Borrower: such amounts as shall be required by the Lender in payment of any reasonable out-of-pocket costs and expenses incurred by the Lender in connection with the enforcement of this Agreement and all other reasonable, direct and necessary costs of the Lender or charges required to be paid by it in order to enforce its rights under this Agreement, but not the Lender's overhead or operating expenses incurred in administration of the Loan. Such Additional Expenses shall be billed to the Borrower by the Lender from time to time, together with a statement certifying that the amount so billed has been paid or incurred by the Lender for one or more of the items described, or that such amount is then payable by the Lender for such items. Such Additional Expenses so billed shall be due and payable by the Borrower within thirty (30) days after receipt of the bill by the Borrower.

Section 8.02 **Notices.** Any notice provided for or permitted to be given hereunder must be in writing and may be given by (i) depositing same in the United States Mail, postage prepaid, registered or certified, with return receipt requested, addressed as set forth below, or (ii) delivering the same to the party to be notified in person or through a reliable courier service. Notice given in accordance herewith shall be effective upon receipt at the address of the addressee. For purposes of notice the addresses of the parties shall, until changed, be as follows:

To the Lender: County of Los Angeles
Chief Executive Office
500 West Temple Street
Los Angeles, California 90012
Attention: Sachi A. Hamai, Chief Executive Officer

To the Administrator: County of Los Angeles
County Treasurer and Tax Collector
500 West Temple Street, Room 437
Los Angeles, California 90012
Attention: Joseph Kelly, Treasurer and Tax Collector

With a copy to: County of Los Angeles
Office of the County Counsel
500 West Temple Street, Room 651
Los Angeles, California 90012
Attention: Thomas J. Faughnan, Senior Assistant County Counsel

To the Borrower: Sativa Los Angeles County Water District
2015 East Hatchway Street
Compton, California 90222
Attention: Administrator

Section 8.03 **Binding Effect; Time of the Essence.** This Agreement shall inure to the benefit of and shall be binding upon the Lender, the Borrower and their respective successors and assigns, if any. Time is of the essence to the Borrower's obligations hereunder.

Section 8.04 **Severability.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 8.05 **Amendments.** To the extent permitted by Law, the terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the parties hereto, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

Section 8.06 **Execution in Counterparts.** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 8.07 ***Applicable Law.*** This Agreement shall be governed by and construed in accordance with the Laws, excluding the laws relating to the choice of law, of the State. Any action involving the Lender relating to the Agreement, the Note or any related documents may only be brought in a court of competent jurisdiction in the County of Los Angeles. The Borrower hereby consents to the jurisdiction of such court or courts.

Section 8.08 ***Captions.*** The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 8.09 ***Entire Agreement.*** This Agreement constitutes the entire agreement with respect to the Loan between the Lender and the Borrower.

Section 8.10 ***Waiver.*** The Lender's failure to enforce at any time or for any period of time any provision of this Agreement shall not be construed to be a waiver of such provision or of the right of the Lender thereafter to enforce each and every provision. No express or implied waiver by the Lender of any default or remedy of default shall constitute a waiver of any other default or remedy of default or a waiver of any of the Lender's rights.

Section 8.11 ***Survivability.*** All of the limitations of liability, indemnities and waivers contained in this Agreement shall continue in full force and effect notwithstanding the expiration of this Agreement or termination of the commitment hereunder and are expressly made for the benefit of, and shall be enforceable by, the Lender, or its successors and assigns.

Section 8.12 ***Consents.*** Whenever a party's consent is required under the terms of this Agreement, such consent shall not be unreasonably withheld, delayed or conditioned, unless the provision requiring consent specifically provides otherwise.

Section 8.13 ***Further Assurance and Corrective Instruments.*** The Borrower hereby agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further acts, instruments, conveyances, transfers and assurances, as the Lender reasonably deems necessary or advisable for the implementation, correction, confirmation or perfection of this Agreement and any rights of the Lender hereunder or thereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective corporate names by their duly authorized officers, all as of the date first written above.

LENDER:

COUNTY OF LOS ANGELES,
a body corporate and politic

By: *Janice Hahn*
Name: JANICE HAHN
Title: CHAIR, BOARD OF SUPERVISORS

BORROWER:

SATIVA LOS ANGELES COUNTY WATER
DISTRICT, a California Special District

By: *Mark Pestrella*
Name: MARK PESTRELLA
Title: Director of Public Works

APPROVED AS TO FORM:

[On behalf of Lender]

MARY C. WICKHAM
County Counsel

By: *Mary C. Wickham*
Assistant County Counsel

APPROVED AS TO FORM:

[On behalf of Borrower]

Legal Counsel

By: *Warren R. Wellen*
Name: Warren R. Wellen

78888

ATTEST: CELIA ZAVALA
EXECUTIVE OFFICER
CLERK OF THE BOARD OF SUPERVISORS

By: *Lachelle Smitherman*, Deputy
JAN 16 2019



I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made.

CELIA ZAVALA
Executive Officer
Clerk of the Board of Supervisors

By: *Lachelle Smitherman*
Deputy JAN 16 2019

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

50

DEC 18 2018

Celia Zavala
CELIA ZAVALA
EXECUTIVE OFFICER

EXHIBIT A
FORM OF NOTE

\$1,400,000

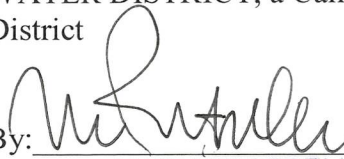
Dated: January 11, 2019

For value received, SATIVA LOS ANGELES COUNTY WATER DISTRICT, a California Special District existing under the laws of the State of California (the "Borrower"), promises to pay to the order of the COUNTY OF LOS ANGELES, a body corporate and politic and its successors and assigns (the "Lender") the amount of ONE MILLION FOUR HUNDRED THOUSAND DOLLARS AND NO CENTS (\$1,400,000) pursuant to the Loan Agreement, dated as of January 11, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement"), by and between the Borrower and the Lender, on the dates and in the amounts provided for in the Agreement.

The Borrower promises to pay principal of and interest on the Note on the dates and at the rates provided for in the Agreement. This Note is payable solely from all available moneys of the Borrower in accordance with the Agreement. The Borrower shall make all Payments required to be made pursuant to the Agreement to a bank account designated by the County Treasurer and Tax Collector, via same day Federal Reserve wire. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Agreement.

This Note is the Note referred to in the Agreement and is entitled to the benefits thereof and of the Loan Documents referred to therein. As provided in the Agreement, this Note is subject to prepayment, in whole or in part. In case an Event of Default shall occur and be continuing the principal of and accrued interest on this Note may be declared due and payable in the manner and with the effect provided in the Agreement.

SATIVA LOS ANGELES COUNTY
WATER DISTRICT, a California Special
District

By: 
Name: MARK PESTRELLA
Title: Director of Public Works